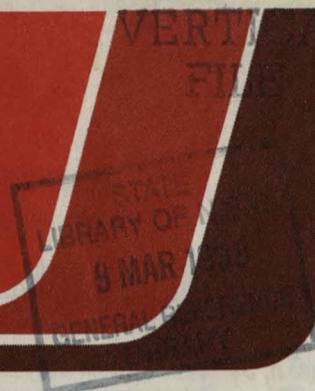




# Australian Bureau of Statistics INFORMATION PAPER



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## AWARD RATES OF PAY INDEXES

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### Introduction

1. A new series of the Award Rates of Pay Indexes with a base of June 1985 will be released shortly. The 'rebased' series will replace the current series which has a base of June 1976. This new series of indexes covering the period June 1985 to December 1987 will be released in the December 1987 issue of the *Award Rates of Pay Indexes, Australia* (6312.0).

2. This paper describes the conceptual and methodological issues associated with the rebasing of the indexes, and discusses the changes in concepts and methodology between the current and rebased series.

3. Because the Award Rates of Pay Indexes are fixed weight indexes, periodic reviews of the representativeness of the awards selected and revisions to the weights applied to those awards become necessary.

4. Rebasing has been undertaken to take into account changes which have occurred during the life of the current series in the distribution of the number of employees in terms of: industry, occupation, award coverage, jurisdiction, State/Territory and sex.

5. The base for the new series of June 1985 has been determined using data obtained from the Survey of Employee Earnings and Hours conducted in May 1985. (The current series was based on June 1976, using data obtained from the May 1976 Survey of Employee Earnings and Hours.)

6. The methodology used to construct the Award Rates of Pay Indexes is in general similar to that used for other indexes such as the Consumer Price Index and the Wholesale Price Indexes and is based on a representative sample of award rates of pay. The indexes of award rates of pay, like other indexes, depict *movements*. They are designed to measure general *trends* in award rates of pay. They do not measure relative *levels* of average award rates of pay between States and industries and exclude the effect of changes in the relative importance of industries, awards and occupations. Because weights are fixed, the recently rebased series is better able to reflect relative changes in *trends* of the relevant industry, State, occupation, etc. series.

### Collection of award information

7. Information on award rates of pay for selected classifications is obtained from a variety of sources. The primary updating source is advices of award variations determined or authorised by industrial tribunals. A number of secondary sources are also used including the Employers' Federation of New South Wales and the Victorian Employers' Federation. Information obtained by these means is used to update award rates of pay for each selected classification on a monthly basis.

### Award Rates of Pay Indexes

8. The new indexes are based on the industry and occupation structure of employment existing in May 1985. Those rates of pay of full-time adult wage and salary earners which are normally varied in accordance with awards, determinations or registered collective agreements were available for selection in the indexes. Approximately 3 per cent of full-time adult wage and salary earners are covered by unregistered agreements (i.e. those agreements made by an employer with a group of employees and which are not registered with a Federal or State industrial arbitration authority). For statistical purposes these have been considered to be similar to awards. The rates prescribed in the more important of these, such as the collective agreement between the State Transport Authority of Victoria and its employees, have therefore also been included in the indexes. Rates of pay applicable to approximately 16 per cent of full-time adult wage and salary earners who are not covered by awards, determinations or registered or unregistered collective agreements, are not covered by the indexes. This includes employees whose rates of pay and conditions of work are not normally varied in accordance with variations in a specific Federal or State award, determination or registered collective agreement or a specific unregistered agreement.

### Design of the indexes

#### *Selection of the classifications*

9. The source used to base the indexes was the May 1985 Survey of Employee Earnings and Hours. The



survey collected information on the industry and occupation of individual employees, on the award under which they are covered and their award classification.

10. This information was used to stratify classifications by industry, occupation and State as part of a sample design which ensured that the indexes could be produced at a satisfactory level of reliability for all cross-classifications included in the series.

11. A sample of approximately 700 awards and 5 500 award classifications was selected for inclusion in the indexes.

12. More information regarding the awards covered in the May 1985 Survey of Employee Earnings and Hours is included in *Incidence of Industrial Awards, Determinations and Collective Agreements, Australia* (6315.0) which will also be released shortly.

#### Compilation

13. Data on award rates payable for 1985 and subsequent years were then compiled for each of the selected award classifications. Estimates of weighted average award rates were calculated by expanding data from the sample of award classifications. The estimates for June 1985 for each component of the series were then converted to an index value of 100.0. June 1985 was chosen as the reference base as it was considered that a mid-year base would be more convenient for users.

#### Weighting

14. The weighting pattern of the indexes is determined at the award classification level. The weights applied to the award classifications included in the indexes are based on employment benchmarks derived from the May 1985 Survey of Employee Earnings and Hours.

15. The index is a fixed weight index. The weights of the index need to be reviewed periodically because of the problems inherent with having a fixed weight index. In particular, the index is not responsive to changes in the structure and coverage of awards, and is likely to become less representative and therefore less reliable over time. An example of this type of problem occurred with the

Victorian Nurses Award. This award underwent a major restructuring with some classifications being amalgamated and others being split into two or more classifications. This type of restructuring of an award in the index means that an equivalent classification needs to be selected from the revised award structure. However, until a complete review of the indexes is carried out, the old weight has to be continued to be used.

#### Historical series

16. The Award Rates of Pay Series has had a number of changes since it was first published in March 1939. From March 1939 to June 1965 'Minimum Wage Rates' were published which did not include indexes corresponding to the wage rates. In 1965 the first indexes of wages rates were published and were based on the occupation structure existing in 1954. For the first time the published series used the wage rates derived entirely from representative awards, determinations and collective agreements in force at the end of each period, commencing in March 1939 for adult males and March 1951 for adult females. The indexes were revised back to 1939 when the first minimum wage rates series was published. This series was published in *Wage Rates Indexes* (6314.0) and then later in *Wage Rates, Australia* (6312.0).

17. In September 1982 a rebased series was published which was based on the occupation structure existing in 1976. The information for this series was derived from information collected from the May 1976 Survey of Employee Earnings and Hours and was published in *Award Rates of Pay Indexes, Australia* (6312.0).

#### Linking factors

18. Because of conceptual and methodological differences between the 1976 series and the new series, caution should be exercised when making direct comparisons between the two series. The December 1987 issue of *Award Rates of Pay Indexes* (6312.0) will show parallel indexes for selected 1976 base series and the corresponding new series for the period June 1985 to November 1987. A method for calculating an approximation of the new series for months earlier than June 1985 and the old series for months after December 1987 will also be included in the December 1987 publication.



## MAJOR DIFFERENCES BETWEEN THE OLD SERIES AND NEW SERIES

The 'major differences' between the 1976 base series and 1985 base series are outlined below:

### OLD SERIES BASED ON MAY 1976 SURVEY OF EMPLOYEE EARNINGS AND HOURS

#### Base period

The series was based on information collected in the May 1976 Survey of Employee Earnings and Hours. The indexes were constructed with a reference base of June 1976 = 100.0.

#### Index numbers

At the base period of June 1976, the index number for each State/Territory x sex x jurisdiction x industry x wage/ wage and salary earner cell was set equal to 100.0 (approximately 1500 series).

#### Wage and salary earners

Separate indexes were published for wage earners and wage and salary earners. For wage earners weekly and hourly award rates of pay were published, while only weekly award rates of pay were included for wage and salary earners. Separate indexes for wage earners and wage and salary earners were published for the 1976 base because of the need to provide a link with the 1954 base series which provided indexes of weekly and hourly award rates of pay for wage earners only.

#### Minimum wage rates

Where possible, an actual occupational grade or level within an occupation was identified and used in the indexes. The wage rates generally consisted of the base rate of pay plus any allowances or loadings that were applicable to ALL employees under the award e.g. service allowance. The indexes included supplementary payments specified in a number of awards.

Remunerative allowances, i.e. allowances paid to employees to cover costs expected to be incurred during the course of employment (e.g. tool allowances) were included.

#### Weighting

Weights applied to award classifications included in the indexes were based on employment benchmarks derived from the May 1976 Survey of Employee Earnings and Hours. A sample of individual employees from this survey was selected and the award and award classification relevant to these employees were then included in the indexes. In some cases more than one selected employee was covered by the same award classification, and the award classification was therefore included more than once in the indexes.

### NEW SERIES BASED ON MAY 1985 SURVEY OF EMPLOYEE EARNINGS AND HOURS

The series has been based on information collected in the May 1985 Survey of Employee Earnings and Hours. The indexes have been constructed with a reference base of June 1985 = 100.0.

At the base period of June 1985, the index number for each State/Territory x sex x jurisdiction x industry and occupation is set equal to 100.0 (approximately 1500 series).

The series will provide weekly and hourly award rates of pay for full time adult wage and salary earners. Separate indexes for wage earners and wage and salary earners will not be published. The distinction between wage earners and salary earners is not able to be identified without some subjective decisions being made. It is therefore considered that it is more statistically correct to produce an index for wage and salary earners only. These indexes will be comparable to the wage and salary earners indexes in the 1976 base series.

The wage rates used in the compilation of the indexes consists of the base rate of pay and any allowances or loadings that are applicable to ALL employees under a specific award classification e.g. industry allowances. The indexes also include supplementary payments specified in a number of awards.

Remunerative allowances, such as those included in the 1976 series, have not been included in the 1985 series. It is considered that these allowances are paid to reimburse employees for expenses that they are expected to incur during the course of their employment. The inclusion of these allowances would not reflect the true level of remuneration of these employees and they have therefore been excluded.

Weights applied to award classifications included in the indexes are based on employment benchmarks derived from the May 1985 Survey of Employee Earnings and Hours. However, the method of selection of awards and award classifications is different to that in the 1976 series and consequently a different weighting procedure is used. Awards have been divided into two groups 'major' awards and 'minor' awards, depending on the estimated employment coverage of each award. All major awards have been included in the indexes while only a sample of minor awards is included. Within awards, a particular classification can only be selected once. For classifications selected within 'major' awards, the employment benchmarks have been inflated in the indexes to account for total employment within the award. For classifications selected within 'minor' awards, employment benchmarks have been inflated in the index to account for total employment coverage of all 'minor' awards.



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## Industry

Industry was classified according to the *Australian Standard Industrial Classification (ASIC) 1978 (1201.0)*.

Industry in the new series is classified according to the *Australian Standard Industrial Classification (ASIC) 1983 (1201.0)*. The 1983 edition of the ASIC incorporates a completely revised set of transport and storage industries, but is in most other respects identical to the 1978 edition. Broad links between the 1978 and 1983 editions are provided in Chapter 1 of the 1983 edition of Catalogue No. 1201.0.

## Occupation

Occupation was classified according to the *Classification and Classified List of Occupations (CCLO) (1206.0)*. This classification had a strong industry orientation and did not differentiate between jobs involving different skill levels.

Occupation is classified according to the *Australian Standard Classification of Occupation (ASCO) (1222.0)*. This classification groups employees by the type of work actually performed in their occupation (i.e. the tasks they perform). ASCO groups jobs together into occupations if the jobs require similar tasks to be performed.

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